



Boards of Commissioners Update

December 2019

Boards of Commissioners Update – December 2019

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BOARD UPDATE

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TO: Boards of Commissioners

DATE: December 12, 2019

Fresno Housing Authority

AUTHOR: Emily De La Guerra

FROM: Preston Prince, CEO/Executive Director

SUBJECT: Fresno Housing Operating Budget as of October 31, 2019

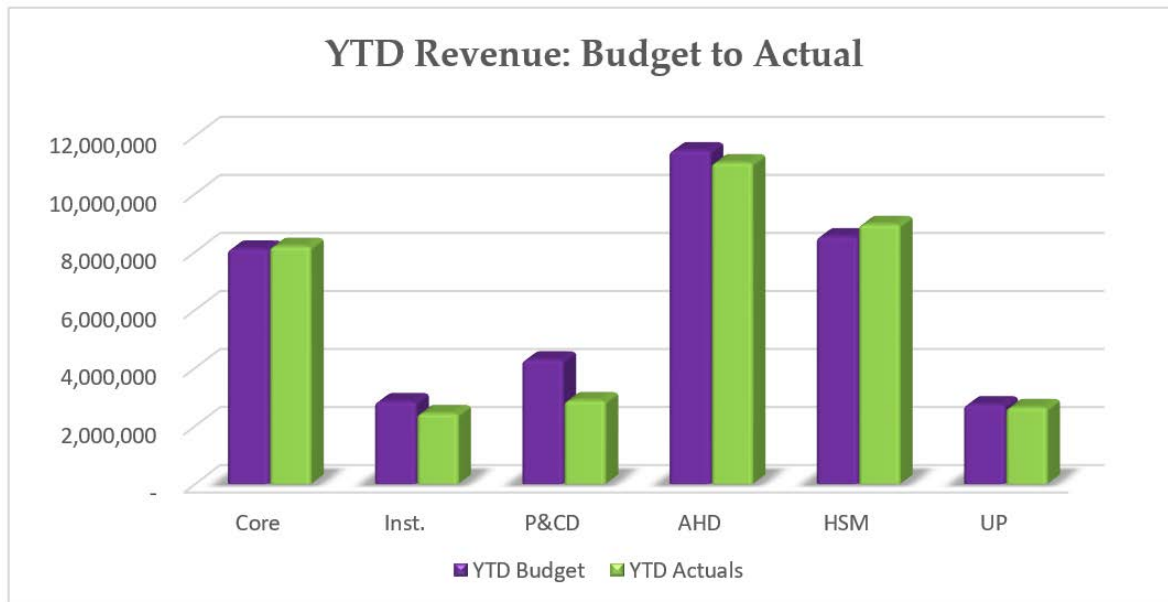
Executive Summary

The purpose of this update is to present an overview of the financial operating results for the Fresno Housing Authority as of October 31, 2019. The attached financial report shows the consolidation of all Agency operational budgets combined into six divisions. Projections have been incorporated into the year-to-date budget to account for the timing of cash flows and known variable expenses. These adjustments were based on historical trends and the most current information available.

The 2019 Operating Budget was approved by the Boards of Commissioners in December 2018 with total revenues of \$45.9 million and total operating expenses of \$42.1 million. As of October, total revenues are \$36.2 million, which is \$1.8 million less than anticipated. However, total operating expenses are \$3.8 million less than budgeted at \$31.3 million for the first ten months of the year. This puts net operating income at \$4.9 million, which is \$2 million better than budgeted. As of October, the Agency has added \$46 thousand to unrestricted reserves, which is \$1.4 million better than budgeted at this point in the year.

	Fresno Housing Authority		
	Annual Budget	YTD Budget	YTD Actuals
OPERATING BUDGET			
TOTAL INCOME	45,863,676	37,984,575	36,173,393
TOTAL EXPENSES	42,114,451	35,095,376	31,291,891
NET OPERATING INCOME	3,749,225	2,889,200	4,881,502
TOTAL NON-OPERATING EXPENSES	1,693,553	1,411,295	1,777,596
NET INCOME	2,055,672	1,477,905	3,103,906
UNRESTRICTED NET INCOME	(1,124,696)	(1,397,401)	46,575

Agency Revenue

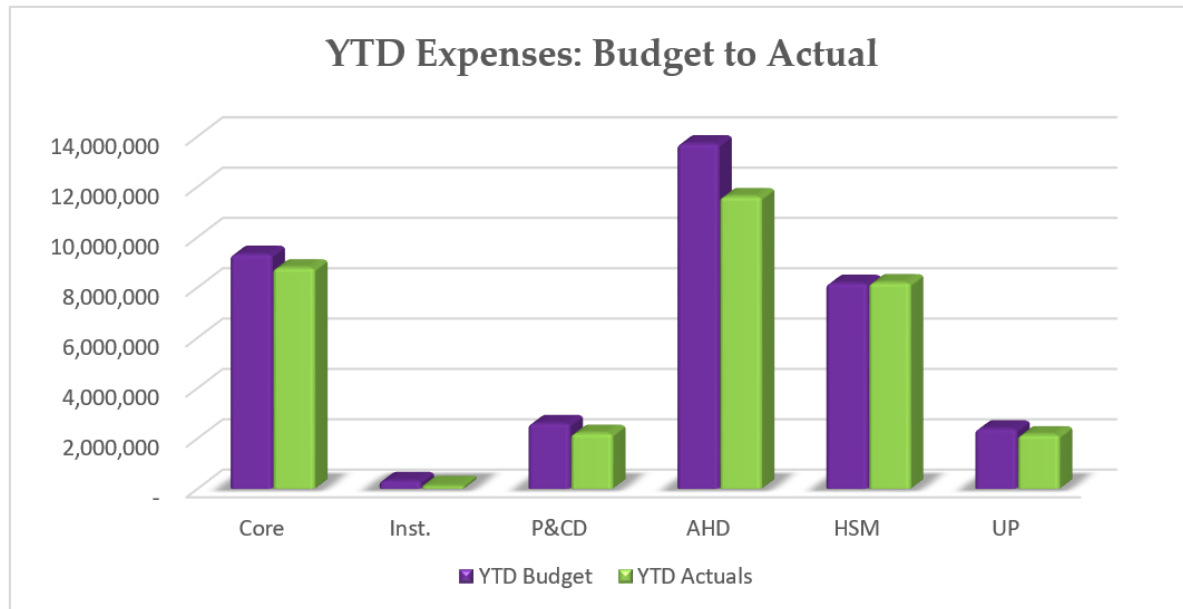


UP - Unrestricted Properties: Agency-owned non-subsidized properties, for example Dayton, Woodside, and San Ramon (formerly known as Affordable Housing)
 HSM - Housing Management: Restricted, subsidized properties including all public housing, farm labor and migrant properties
 AHD - Assisted Housing Division: Housing Choice Voucher, Resident Services and Homeless programs
 P&CD - Planning & Community Development: Real Estate Development and Construction Management departments
 Inst. - Instrumentalities: Wholly-owned subsidiaries of the Agency, including HRFC, HSIC, and Silvercrest
 Core: Administrative Services departments including Accounting, Executive, Human Resources and Asset Management

Overall, year-to-date revenue is \$36.2 million, or 5% less than the year-to-date budget largely due to the timing of developer fees to P&CD.

- **P&CD:** No developer fees were received in October. Staff anticipates the developer fees for several projects, including Legacy Commons I, Cueva de Oso, Villages @ Paragon, Linnaea Villas, and Solivita Commons will be received in December of 2019.

Agency Expenses

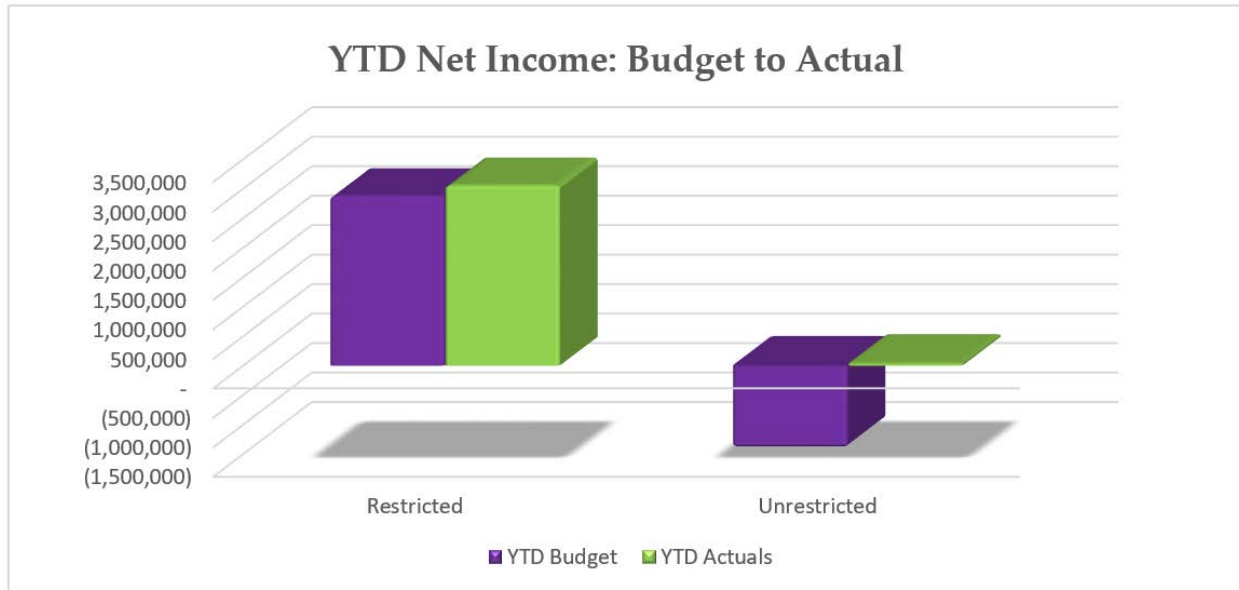


UP - Unrestricted Properties: Agency-owned non-subsidized properties, for example Dayton, Woodside, and San Ramon (formerly known as Affordable Housing)
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Core: Administrative Services departments including Accounting, Executive, Human Resources and Asset Management

Overall, year-to-date operating expenses are \$31.3 million and non-operating expenses are \$1.8 million, which together are about 9% lower than budgeted.

- **Agency-wide:** Payroll Expenses are approximately \$1.8 million (11%) lower than anticipated, mainly due to unfilled positions and/or planned hiring delays. Due to low unemployment rates and current labor market conditions, new recruitments and the backfilling of replacement positions are taking much longer than projected based on past trends. This is leading to delays in strategic initiatives across the Agency as key positions remain unfilled.
- **Agency-wide:** Administrative Expenses and Tenant Services Expenses are approximately \$1.8 million lower than budgeted across the Agency, mainly due to delays in launching the High Income Pilot and Workforce Development programs within the Assisted Housing Division. The remainder is attributable to spending delays for the homeless services grants, including Shelter Plus Care, HOME TBRA and Project Liftoff. If these dollars remain unspent at fiscal year end, they can roll over into the next grant period.

Agency Net Income



- Unrestricted net income is approximately \$1.4 million higher than budgeted as of October 2019. This variance will decrease throughout the year as new pilot programs begin, but staff expects that there will be some budgetary savings by fiscal year end.
- Restricted net income is approximately \$180 thousand higher than budgeted due to increased public housing operating subsidy revenue and lower payroll expenses positions within the Housing Management Division.

Fresno Housing Authority
Financial Results as of October 31, 2019

	Core			Inst.			P&CD			AHD			HSM			UP			Fresno Housing Authority			YTD \$ Variance	YTD % Variance
	Annual Budget	YTD Budget	YTD Actuals	Annual Budget	YTD Budget	YTD Actuals	Annual Budget	YTD Budget	YTD Actuals	Annual Budget	YTD Budget	YTD Actuals	Annual Budget	YTD Budget	YTD Actuals	Annual Budget	YTD Budget	YTD Actuals	Annual Budget	YTD Budget	YTD Actuals		
OPERATING BUDGET																							
INCOME																							
NET TENANT INCOME	-	-	-	-	-	-	-	-	-	-	-	-	5,366,476	4,472,063	4,657,787	2,550,710	2,125,592	2,016,390	7,917,186	6,597,655	6,674,177	76,522	1%
INTEREST INCOME	8,000	6,667	33,013	1,713,000	1,427,500	911,307	-	-	-	-	-	-	-	-	-	-	-	-	1,721,000	1,434,167	944,320	(489,847)	-34%
OTHER INCOME	974,000	811,667	705,812	1,350,000	1,350,000	1,500,000	170,000	141,667	378,284	1,157,705	964,754	795,632	25,996	21,663	67,283	712,302	593,585	620,505	4,390,003	3,883,336	4,067,516	184,180	5%
ADMIN & MANAGEMENT FEE INCOME	8,739,908	7,283,257	7,454,469	80,000	66,667	22,320	-	-	-	-	-	-	-	-	-	-	-	-	8,819,908	7,349,923	7,476,789	126,866	2%
DEVELOPER FEE INCOME	-	-	-	-	-	-	5,521,860	4,141,395	2,501,646	-	-	-	-	-	-	-	-	-	5,521,860	4,141,395	2,501,646	(1,639,749)	-40%
HUD GRANT INCOME	-	-	-	-	-	-	-	-	-	12,118,911	10,099,092	9,583,707	4,282,660	3,568,883	3,746,715	-	-	-	16,401,571	13,667,976	13,330,422	(337,554)	-2%
OTHER GRANT INCOME	-	-	-	-	-	-	-	-	-	514,532	428,776	698,569	555,418	462,848	476,117	22,199	18,499	3,837	1,092,149	910,124	1,178,523	268,399	29%
TOTAL INCOME	9,721,908	8,101,590	8,193,294	3,143,000	2,844,167	2,433,627	5,691,860	4,283,062	2,879,930	13,791,148	11,492,623	11,077,908	10,230,550	8,525,458	8,947,902	3,285,211	2,737,676	2,640,732	45,863,676	37,984,575	36,173,393	(1,811,182)	-5%
EXPENSES																							
PAYROLL EXPENSES	7,023,013	5,852,511	5,282,901	-	-	-	1,450,179	1,208,483	1,115,714	7,584,893	6,320,744	5,519,240	2,422,006	2,018,339	1,766,870	487,913	406,594	366,349	18,968,005	15,806,670	14,051,074	(1,755,596)	-11%
ADMINISTRATIVE EXPENSES	3,418,339	2,848,616	2,964,583	382,150	318,458	87,051	1,645,312	1,371,094	1,081,933	5,802,611	4,835,509	4,556,745	1,875,579	1,562,983	1,471,043	332,471	277,059	242,121	13,456,463	11,213,720	10,403,476	(810,244)	-7%
TENANT SERVICES EXPENSES	51,000	42,500	54,703	-	-	-	5,000	4,167	-	2,967,050	2,472,542	1,449,541	246,757	205,631	193,301	6,450	5,375	2,066	3,276,257	2,730,214	1,699,611	(1,030,603)	-38%
UTILITY EXPENSES	172,144	143,453	139,482	-	-	-	-	-	-	-	-	-	1,737,628	1,448,023	1,401,503	458,690	382,242	353,279	2,368,462	1,973,719	1,894,264	(79,455)	-4%
MAINTENANCE EXPENSES	474,662	395,552	296,210	-	-	-	9,000	7,500	11,914	92,899	77,416	80,149	2,024,446	1,687,039	1,679,851	891,435	742,862	648,237	3,492,442	2,910,368	2,716,361	(194,007)	-7%
TAXES & INSURANCE EXPENSES	44,300	36,917	41,551	8,900	7,417	6,263	6,600	5,500	(3,273)	7,451	6,209	5,872	419,546	349,621	397,821	66,025	55,021	78,871	552,822	460,685	527,105	66,420	14%
TOTAL EXPENSES	11,183,459	9,319,549	8,779,430	391,050	325,875	93,314	3,116,092	2,596,743	2,206,288	16,454,904	13,712,420	11,611,547	8,725,963	7,271,636	6,910,389	2,242,984	1,869,153	1,690,923	42,114,451	35,095,376	31,291,891	(3,803,485)	-11%
NET OPERATING INCOME	(1,461,551)	(1,217,959)	(586,136)	2,751,950	2,518,292	2,340,313	2,575,768	1,686,319	673,642	(2,663,756)	(2,219,797)	(533,639)	1,504,587	1,253,823	2,037,513	1,042,227	868,523	949,809	3,749,225	2,889,200	4,881,502	1,992,302	69%
NON-OPERATING EXPENSES																							
TOTAL NON-OPERATING EXPENSES	-	-	-	-	-	-	-	-	-	-	-	-	543,556	452,964	900,733	287,600	239,667	80,365	831,156	692,630	981,098	288,468	42%
TOTAL FINANCING EXPENSES	-	-	-	-	-	42,033	-	-	-	-	-	-	532,613	443,844	377,729	329,784	274,820	376,736	862,397	718,664	796,498	77,834	11%
TOTAL ADJUSTMENTS & OPERATING TRANSFERS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0%
TOTAL NON-OPERATING EXPENSES	-	-	-	-	-	42,033	-	-	-	-	-	-	1,076,169	896,808	1,278,462	617,384	514,487	457,101	1,693,553	1,411,295	1,777,596	366,301	26%
NET INCOME	(1,461,551)	(1,217,959)	(586,136)	2,751,950	2,518,292	2,298,280	2,575,768	1,686,319	673,642	(2,663,756)	(2,219,797)	(533,639)	428,418	357,015	759,051	424,843	354,036	492,708	2,055,672	1,477,905	3,103,906	1,626,001	110%
UNRESTRICTED NET INCOME	(1,461,551)	(1,217,959)	(586,136)				2,575,768	1,686,319	673,642	(2,663,756)	(2,219,797)	(533,639)				424,843	354,036	492,708	(1,124,696)	(1,397,401)	46,575	1,443,976	103%

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TO: Boards of Commissioners

DATE: December 12, 2019

Fresno Housing Authority

AUTHOR: Aurora Ibarra

FROM: Preston Prince, CEO/Executive Director

SUBJECT: Update on 2019 Leasing and Housing Assistance Payments for the Housing Choice Voucher Program

Executive Summary

The purpose of this memo is to update the Boards of Commissioners on October Housing Assistance Payments (HAP) and leasing activities, and projections for the remainder of 2019.

City HCV

As previously reported, staff had applied for shortfall set-aside funding to eliminate the program's shortfall status. The department is pleased to report that the City program was recently awarded \$1.8m in shortfall set-aside funding. HUD's Shortfall Prevention Team (SPT) was satisfied with the Agency's shortfall mitigation actions and increased the program's funding to cover the shortfall. Staff continue to work with the HUD SPT and industry experts to mitigate any further shortfall. Should the program have an additional shortfall at year-end, HUD will increase the program's funding to cover the shortfall. At this time, staff is projecting an additional potential shortfall of less than \$100,000.

HAP expenditures for the month of October totaled \$4,348,148 with a HAP utilization rate for the month of October of 116.7%. The overall projected HAP utilization rate is 109.2%. This projection of year-end reserves factors in a \$776 thousand reserve offset, which was calculated based on the 2019 beginning balance of \$5 million in reserves.

Current voucher utilization for the month of October is 102.5% with an overall projected voucher utilization for CY 2019 of 101.6%, which would earn the Agency maximum points for leasing under SEMAP. This would potentially place the program in overleased status; however, strategies have been set in place to mitigate that risk. The potential overleasing could require that the agency use unrestricted funds, which is expected not to exceed \$50,000. City voucher issuances for new applicants have been placed on hold and are limited to families served by Veterans Affairs Supportive Housing (VASH) vouchers. The team continues to monitor attrition and the impact of the strategies put in

place to manage the current leasing status. Staff expects to begin issuing new vouchers in January 2020.

County HCV

Similar to the City program, the County program was recently awarded \$900,000 of shortfall set-aside funds. Should the County program have an additional shortfall at year-end, HUD will increase the program's funding to cover the shortfall. At this time, staff is projecting an additional potential year-end shortfall of \$200,000.

HAP expenditures for the month of October totaled \$3,296,693 with a HAP utilization rate for the month of October of 109.2%. The overall projected HAP utilization rate is 109.5%. The County HCV program did not have any reserves offset in 2019.

Current voucher utilization for the month of October is 100.7% with an overall projected voucher utilization for CY 2019 of 102.1%, which would earn the Agency maximum points for leasing under SEMAP. This would potentially place the program in overleased status; however, strategies have been set in place to mitigate that risk. The potential overleasing could require that the agency use unrestricted funds, which is expected not to exceed \$50,000. County voucher issuances for new applicants have been placed on hold. The team continues to monitor attrition and the impact of strategies put in place to manage the current leasing status. Staff expects to begin issuing new vouchers in January 2020.

Leasing Update

Since current projections indicate low-to-insufficient reserves by end of the year, staff will continue to monitor HAP expenses and work with the HUD SPT to request additional shortfall funds, if needed. At this time, staff expects both programs to be out of the shortfall protocol by January 2020. In anticipation of this relief, staff are developing stable leasing schedules that will allow us to better balance voucher and HAP utilization rates for 2020.

HCV Leasing and Spending Projection

CA006 Two-Year Voucher Forecasting Summary

12/10/2019

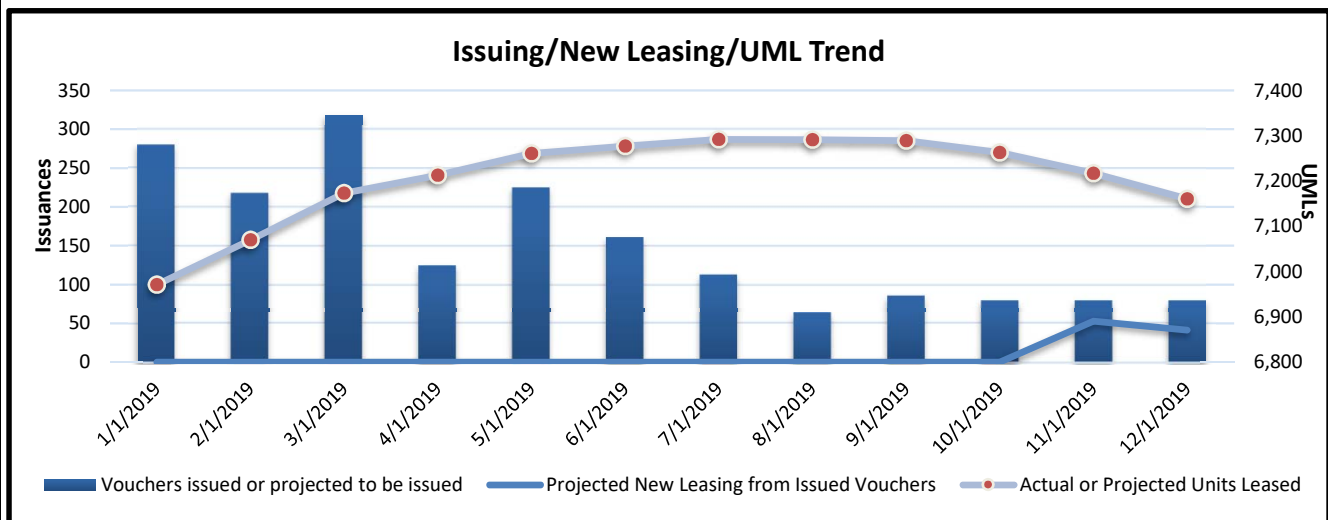
Prepared for: City Board of Commissioners

Prepared by: Housing Choice Department

Using the Housing Choice Voucher (HCV) Two-Year Tool, which allows a user to examine a PHA's voucher program under a variety of leasing, per-unit cost (PUC), and other key program scenarios, the attached tool estimates the program to end the current year with -\$84,460, or 0% of budget authority. This scenario relies upon the following key variables:

Success Rate	Attrition Rate	Time from Issuance to HAP Effective Date	
(How many issued vouchers will go to HAP)	(What percent of participants annually leave)	(How fast do successful issuances lease up)	
45%	9.7%	Leased in	Percent
Year 1 PUC (Average monthly cost of a voucher - Year 1)		0-30 Days	5%
		31-60 Days	18%
		61-90 Days	18%
		91-120 Days	17%
\$589		121-150 Days	42%

This leasing scenario results in a total of 94 new lease-ups for the remainder of the year. Please see the below graph, which shows issued vouchers and associated leasing, as well as the total program UMLs, which takes into account attrition:



The PHA had an offset of \$776,526 this year. Additionally, the higher of this year's leased units (101.6%) or dollars (109.2%) is 109.2%, indicating full leasing indicator points in SEMAP. This estimate has been adjusted for VASH.

CA006 Summary

HAP expenditures for October totaled \$4,348,148 with a HAP utilization rate for the month of October of 116.7%. Current voucher utilization for the month of October was 102.5% with an overall projected voucher utilization rate for CY 2019 of 101.6%. These utilization rates have been adjusted for VASH.

HCV Leasing and Spending Projection

CA028 Two-Year Voucher Forecasting Summary

12/10/2019

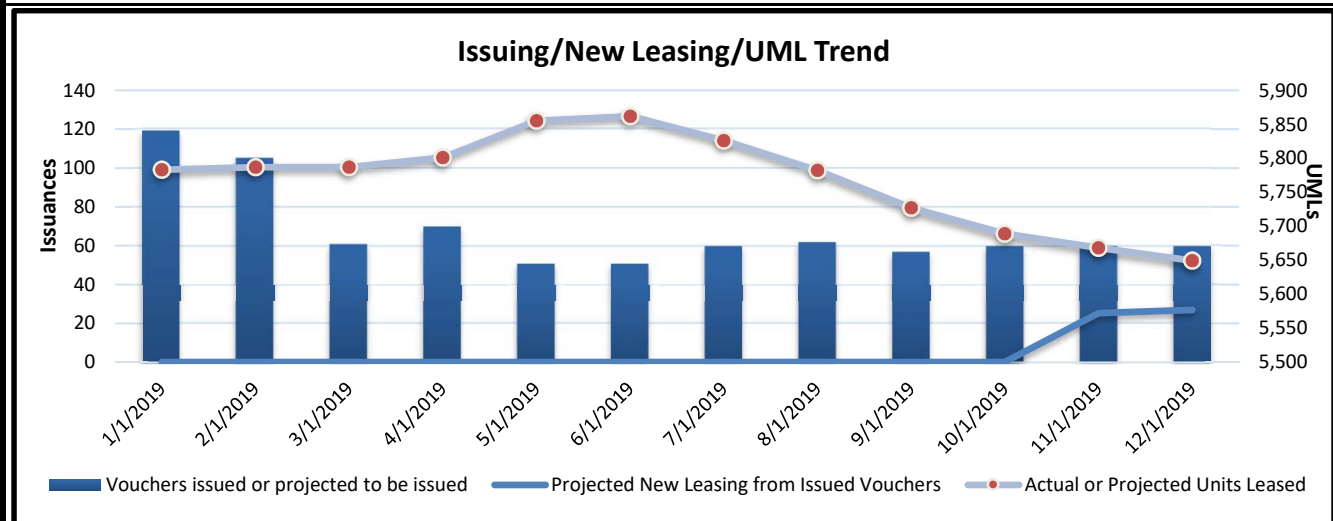
Prepared for: County Board of Commissioners

Prepared by: Housing Choice Department

Using the Housing Choice Voucher (HCV) Two-Year Tool, which allows a user to examine a PHA's voucher program under a variety of leasing, per-unit cost (PUC), and other key program scenarios, the attached tool estimates the program to end the current year with -\$205,154, or -1% of budget authority. This scenario relies upon the following key variables:

Success Rate	Attrition Rate	Time from Issuance to HAP Effective Date	
(How many issued vouchers will go to HAP)	(What percent of participants annually leave)	(How fast do successful issuances lease up)	
45%	9.7%	Leased in	Percent
Year 1 PUC (Average monthly cost of a voucher - Year 1)		0-30 Days	5%
		31-60 Days	18%
		61-90 Days	18%
		91-120 Days	17%
		121-150 Days	42%
\$574			

This leasing scenario results in a total of 52 new lease-ups for the remainder of the year. Please see the below graph, which shows issued vouchers and associated leasing, as well as the total program UMLs, which takes into account attrition:



The PHA had no offset for this year. Additionally, the higher of this year's leased units (102.1%) or dollars (109.5%) is 109.5%, indicating full leasing indicator points in SEMAP. This is an estimate.

CA028 Summary

HAP expenditures for October totaled \$3,296,693 with a HAP utilization rate for the month of October of 109.2%. Current voucher utilization for the month of October was 100.7% with an overall projected voucher utilization rate for CY 2019 of 102.1%.